

RESTRICTED APPRAISAL REPORT

Proposed Land Banking Sale
Sec. 36, T13N-R12W, Helmville
Powell County, Montana
September 22, 2005

Prepared for:
State of Montana
Department of Natural Resources and Conservation
Trust Land Management Division
Real Estate Management Bureau
1625 11th Avenue
Helena, MT 59620

Prepared by:
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State of Montana
Department of Natural Resources and Conservation
Trust Land Management Division
Real Estate Management Bureau
1625 11th Avenue
Helena, MT 59620

CLIENT

State of Montana, Department of Natural Resources and Conservation (DNRC)

INTENDED USERS

DNRC Real Estate Management Bureau staff and Southwest Land Office staff.

INTENDED USE

The intended use is to provide DNRC with the information to make an administrative determination of the minimum bid price for the auction sale of an 640-acre parcel of State Trust Land.

USE RESTRICTION

This report is limited to the client and intended users identified in this report. The appraiser's opinion and conclusions set forth in the report may not be understood fully without additional information in the appraiser's work file.

SCOPE OF APPRAISAL

The scope of the appraisal involved inspecting and gathering pertinent data concerning the subject property and adjacent lands, analyzing the highest and best use of the subject property, gathering market information about property sales similar in nature to those of the subject, and applying the market data (sales comparison approach) to arrive at an opinion of current fair market value. The subject was partially walked and aerial photos and topo maps of the property were reviewed. Aerial photos and topo maps of the comps were reviewed.

DEFINITIONS

Current fair market value. (MCA 70-30-313) Current fair market value is the price that would be agreed to by a willing and informed seller and buyer, taking into consideration, but not limited to, the following factors:

- (1) the highest and best reasonably available use and its value for such use, provided current use may not be presumed to be the highest and best use;
- (2) the machinery, equipment, and fixtures forming part of the real estate taken; and
- (3) any other relevant factors as to which evidence is offered.

Easement. An interest in real property that conveys use, but not ownership, of a portion of an owner's property. Access or right-of-way easements may be acquired by private parties or public utilities.

Highest and best use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.

Date of Inspection and Effective Date of Valuation:

The subject was viewed by walking the higher parts of the property on September 22, 2005, which is the appraisal's effective date.

Type of Report

Complete appraisal – restricted report

Property Rights Appraised

Fee simple interest

Statement of Highest and Best Use

The subject is currently considered grazing land. The highest and best use of the subject property is as grazing land with some recreational influences. This is based on legal, physical and economic factors in regards to the subject

Approaches to Value

The market data approach was the only approach applicable to this assignment. There are no building improvements; consequently, the cost approach to value was not used. The income capitalization approach was not considered applicable.

Subject Property & Area Description

The legal description for the subject property is: Section 36, Township 14 North, Range 12 West, Powell County, Montana. Per TLMS and the cadastral system, the subject property consists of 640 acres. The subject is mostly grazing land with a few trees in two small areas. There is a grazing lease on the property currently. The ground is generally rolling, with an elevation from about 4,870 feet to about 5,240 feet. There is a spring and intermittent stream on the subject property. Views would be considered average to good. Elk and deer present.

The subject is located about 4.5 air miles southwest of Helmville. The private properties in the subject's general neighborhood tend to range in size from about 40 acres to entire sections. These properties consist mostly of grazing land with some residential sites and some timbered land also present. Other state and federal parcels are also in the area. This is a rural area with a very limited amount of commercial properties along the state highways until one gets to either Seeley Lake or Lincoln, or US Interstate 90. While the subject property is currently managed for grazing, the values in the subject's market area are very gradually being influenced by development of agricultural land into residential/recreational sites.

Access to the property, after leaving the gravel state road, is by traveling on a two-track, about 2 miles, over private land. It appears that both electric and phone service are a distance from the property. Three of the comparables had poor physical access like the subject. One of those comparables did not have legal access, but if there was any negative effect on value it was considered minimal. As no market data is available to determine any recognition for lack of legal access, this element will not be adjusted for in this report.

Subject Property Market

Powell County and the general Helmville area have seen a very stable market for agricultural land, to a strong real estate market for residential and recreational properties. No published information about property value changes for rural Powell County was found. According to information provided by other appraisers, including paired sales, rates of appreciation vary from about 4% per year to over 20% per year. A 5% per year appreciation is considered a minimum for properties like the subject. According to studies of larger regional markets, overall demand is expected to remain fairly high. As such, while the subject is currently grazing land, the ever increasing demand for land is anticipated to maintain the upward trend in values.

Market Data Approach

The search for comparable sales encompassed the region from Lincoln to Clearwater Junction to where MT Hwy 271 meets Granite County, to the Avon and Elliston areas. The attached Comparable Sales Location Map provides a good idea of the search area. Several real estate offices, the local MLS system, the cadastral system including its aerial photos, area topo maps, and two knowledgeable appraisers in the area were all utilized. Within the market area, a number of sales were found, however various sales were either very old, or included a high improvement value contribution rate, or were very different types of properties. Three fairly recent sales and one older sale were considered the best comparables available. These four sales, with information supplied by the various sources noted above, were assessed in order to form an opinion of current fair market value. (Two current listings located in the subject's market area were also "reviewed" as a "check" on the logic used and opinion formed in this report. Those listings ranged from 480 acres to 1,407 acres in size.)

All of the comparable sales were compared to the subject property on the basis of price per acre. This, according to area appraisers and real estate brokers/agents, is the typical unit of measurement by which buyers and sellers express value of this type of property in the market area. The comparable sales were analyzed for Property Rights Conveyed, Financing and/or Conditions of Sale, Location, Date of Sale (a time factor), Size, Access, Utilities and Land Features. The comparable sales are summarized on page 6. On page 7 is a Comparable Sales Adjustment Table. As no matched pairs were available to provide indicated adjustment amounts for some characteristics, adjustments, were based on opinions provided or general trends found.

Property Rights Conveyed:

The subject property is appraised in fee simple interest. As all of the comparable sales sold on the basis of fee simple interest, no adjustments were made to the comparable sales for property rights conveyed in the adjustment table.

Financing/Conditions of Sale:

All of the comparable sales sold for cash or on terms equivalent to cash. The market value opinion in this report is also based on cash or terms equivalent to cash. No adjustments were made to the comparable sales for financing or conditions of sale in the adjustment table.

Location:

All of the comparable sales are located in the subject's market area. Comparing the comparable sales with each other indicates no clear-cut difference due specifically to location and none is apparent to exist between the comparables and the subject. Thus no adjustments were made to the comparable sales for location in the adjustment table.

Date of Sale:

The comparable sales occurred between March 2002 and July 2005. Review of the comparable sales with each other does not provide clear evidence of a specific adjustment for time. Based on the information about the subject property market detailed above, a minimal appreciation rate of 5% per year was applied. This appreciation adjustment was calculated and applied to the comparable sales as single percentage figures, as shown in the table.

Size:

The comparable sales range in size from 480 acres to 4,196 acres. Generally it is believed that smaller parcels sell for higher prices per acre, (although at times larger parcels can also give more flexibility in development or may have a demand based on minimum size needed or desired). Review of sales in other appraisals indicates support for this premise. However limited data does not provide a clear indication of what this difference could be or where the "break points" in size may be. Therefore, the adjustments made to the comparable sales in the adjustment table have been kept nominal.

Access:

The subject had no legal access and physical access was poor. The comparable sales had access ranging from average to poor. The comparable sale without legal access did not indicate any concession for the access situation. Therefore the only adjustments made to the comparable sales in the adjustment table were relative to the physical character of the access.

Utilities:

It appears rural electric and phone are some distance from the subject. Exact location of utilities relative to the comparable sales is unknown. It is believed Comparable Sales 1 & 2 had utilities some distance away, and Comparable Sales 3 & 4 had utilities slightly closer than the subject. Thus nominal adjustments were made to the Comparable Sales 3 & 4 as shown on the adjustment table.

Land Features:

This category includes the presence of timber or water, general topography and elevation, and/or view. Although these influences can be hard to quantify, certain generalities can be made. Typically, water features, trees, diversity of use, views, and good building locations all add to desirability and are usually reflected in sale prices. Per sources, the aerial photos of Comparable Sales 1 & 2 are reflective of the timber before the last harvesting, which was reported to have been rather extensive. Taking in to account all the pluses and minuses of the various properties, the overall property character differences between the subject and comparable sales are realistically minimal. Thus, no adjustments were made to the comparable sales in the table.

Final Reconciliation

To restate and summarize, Date of Sale, Size, Access and Utilities have all been considered and the comparables have been adjusted accordingly. While considered, no adjustments were made to the comparable sales for Property Rights Conveyed, Financing/Conditions of Sale, Location, or Land Features.

On an unadjusted basis, the comparable sales range from a low of \$477/acre (Comparable Sale No. 2), to a high of \$833 /acre (Comparable Sale No. 3). On an adjusted basis the comparable sales range from a low of \$480/acre (Comparable Sale No. 1) to a high of \$666 /acre (Comparable Sale No. 3). For this report, all the comparable sales were weighted equally. Thus, the indicated price per acre is \$585, rounded to \$600.

Therefore, 640 acres X \$600 = \$384,000

The purpose of this appraisal report is to provide an opinion of market value of the real property that is the subject of this report based on the market value definition, assumptions and limiting conditions, certification, and any other conditions included in or attached to this report. Further, it is assumed that there has not been any significant change, physical or otherwise, to the subject property between the inspection date and date the report is signed. As such, it is my opinion that as of, September 22, 2005, the total of current fair market value of the subject property \$384,000.

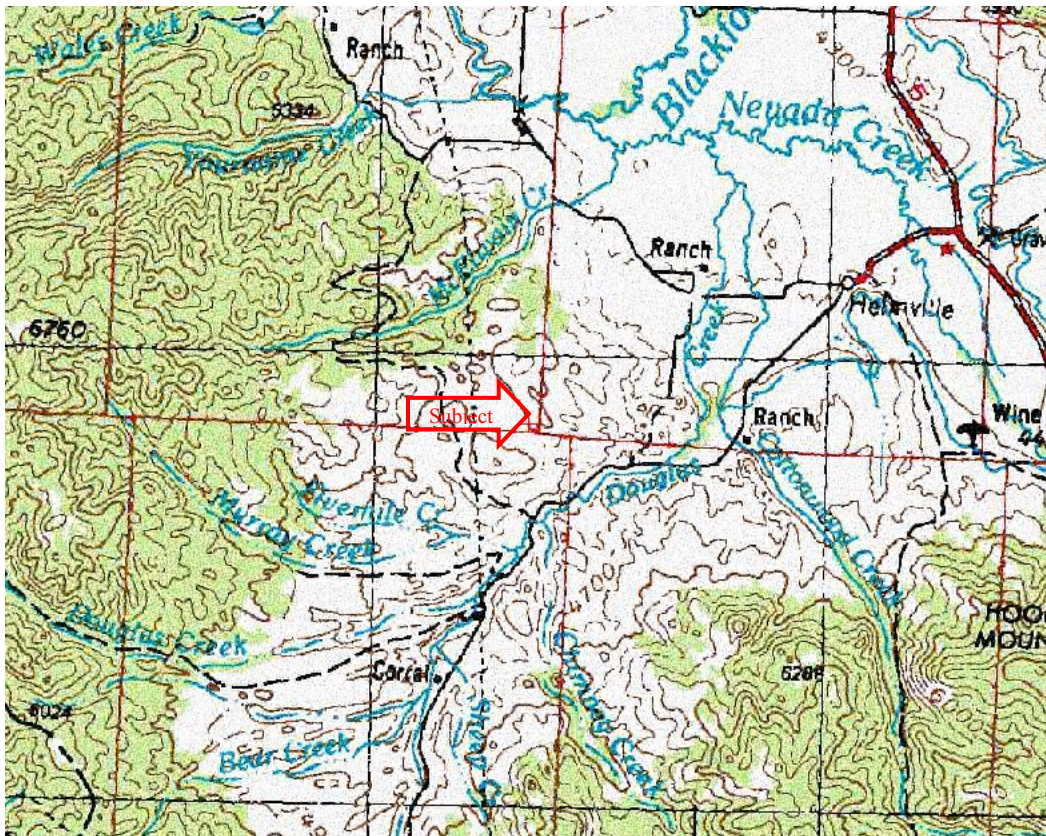
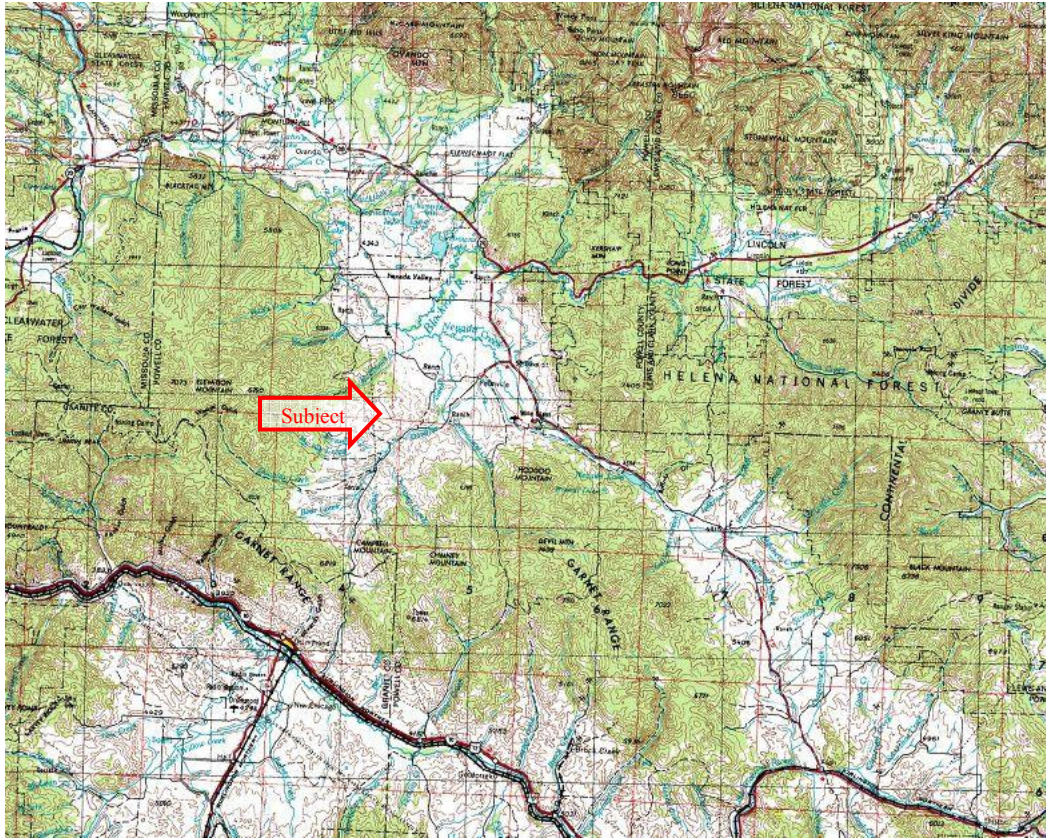
Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: December 14, 2005

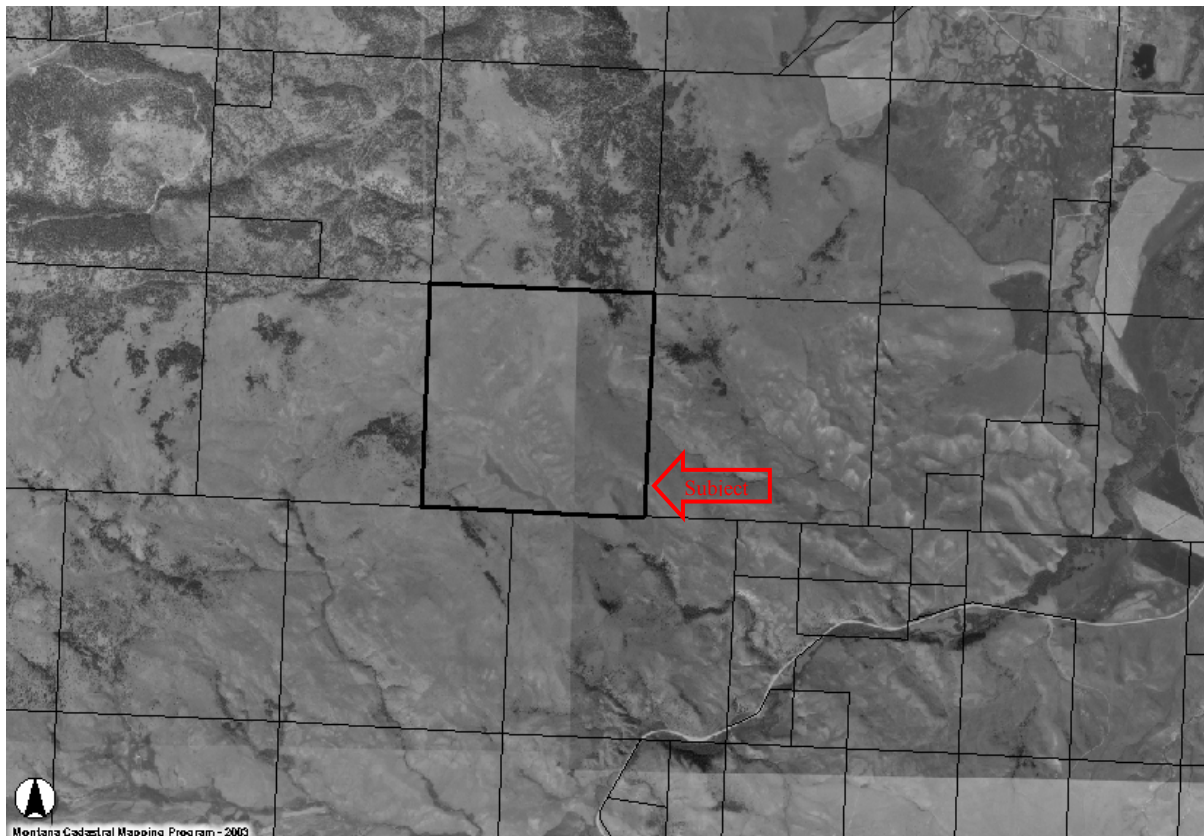
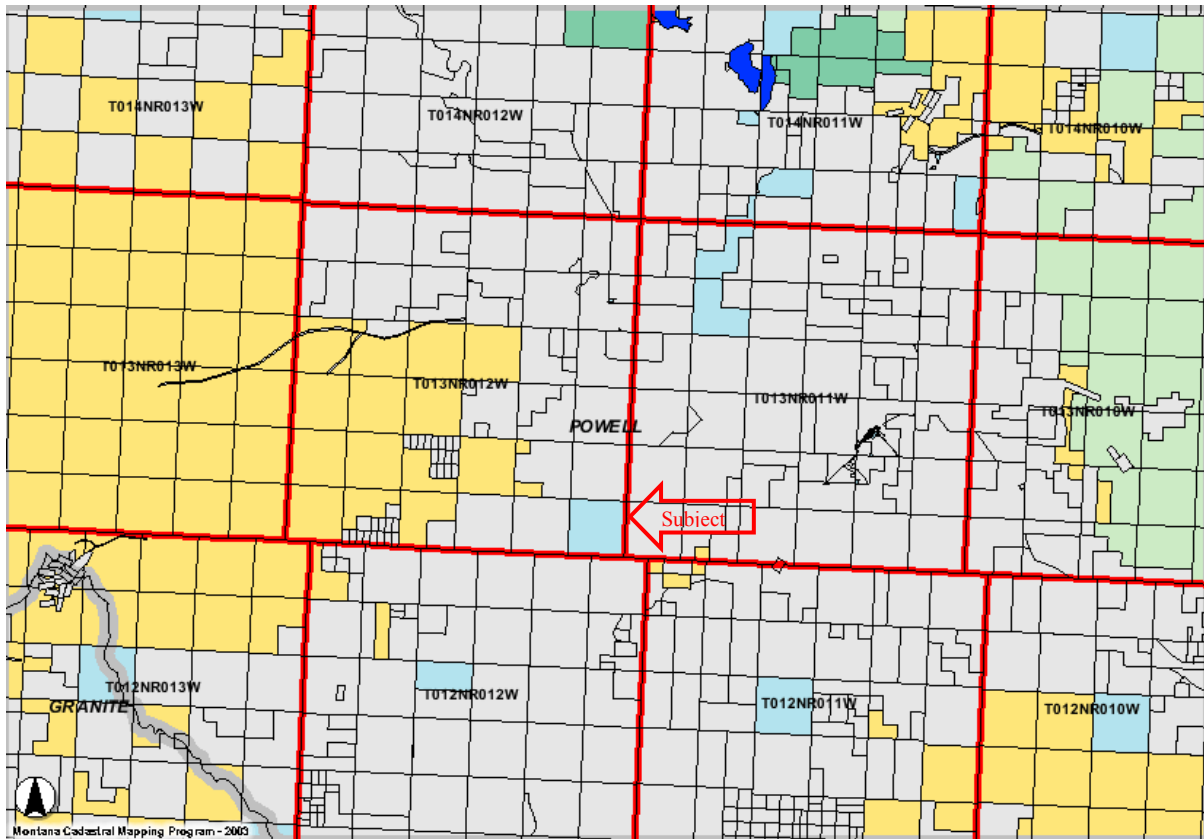
Comparable Sales Adjustment Table
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	Subject Property	Comp Sale No. 1	Comp Sale No. 2	Comp Sale No. 3	Comp Sale No. 4
Sold Price Per Acre	--	\$500	\$477	\$833	\$525
Property Rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing/ Conditions	Conv./ None	Conv./ None	Conv./ None	Conv./ None	Conv./ None
Location	Helmville Rural/Ave	Avon Rural/Ave	Avon/Elliston Rural/Ave	Ovando Rural/Ave	Helmville Rural/Ave
Date of Sale	--	July 05 + 1%	June 05 + 1%	Sept 04 + 5%	March 02 + 18%
Acreage Size	640 Acres	743 Acres	4,196 Acres + 25%	480 Acres	640 Acres
Physical Access	Poor	Fair - 5%	Poor	Average - 20%	Poor
Utilities	None	None	None	Fair - 5%	Fair - 5%
Land Features	Rolling Pasture, A Few Trees, Spring, Intermittent Stream	Rolling Pasture, Cut-Over Timber, Small Creek	Rolling to Steep Pasture & Cut-Over Timber, Small Creeks, Springs	Flat Pasture	Rolling Pasture, Canal
Net Adjustment	--	- 4%	+ 26%	- 20%	+ 13%
Adjusted Acre Price	--	\$480	\$601	\$666	\$593

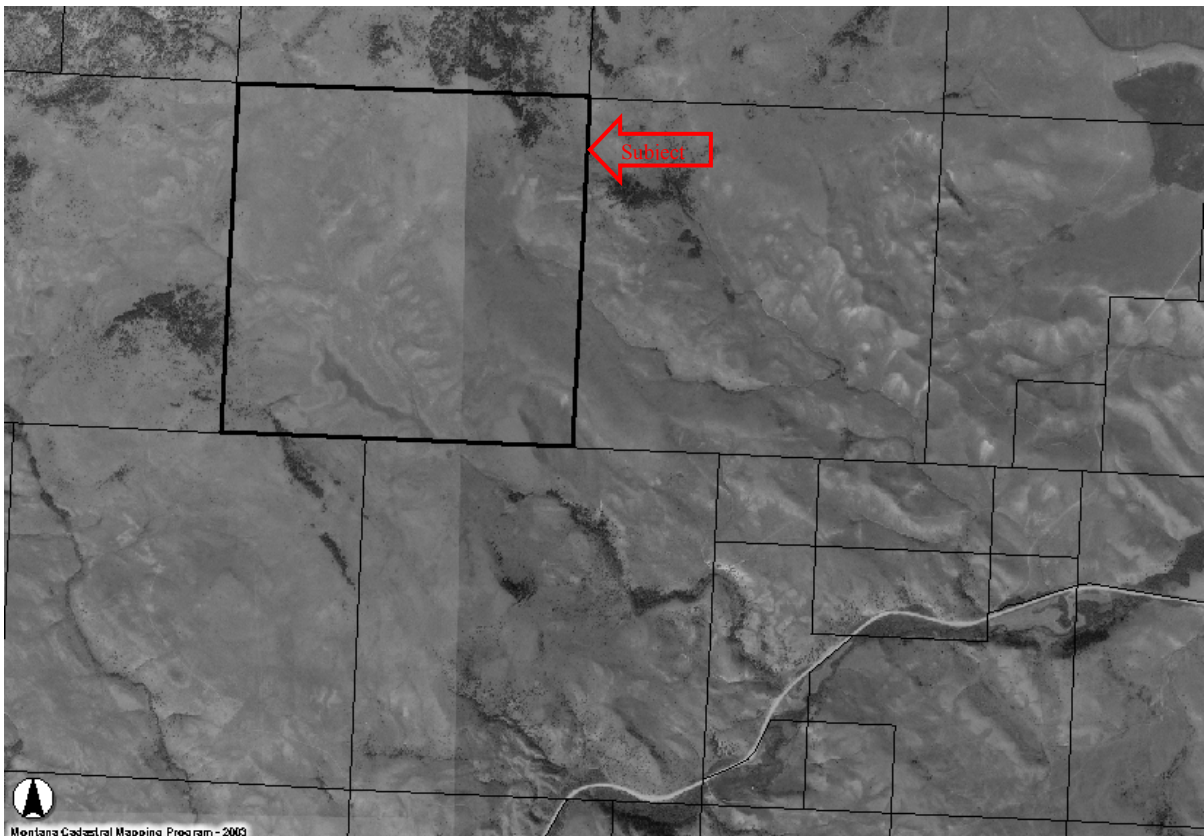
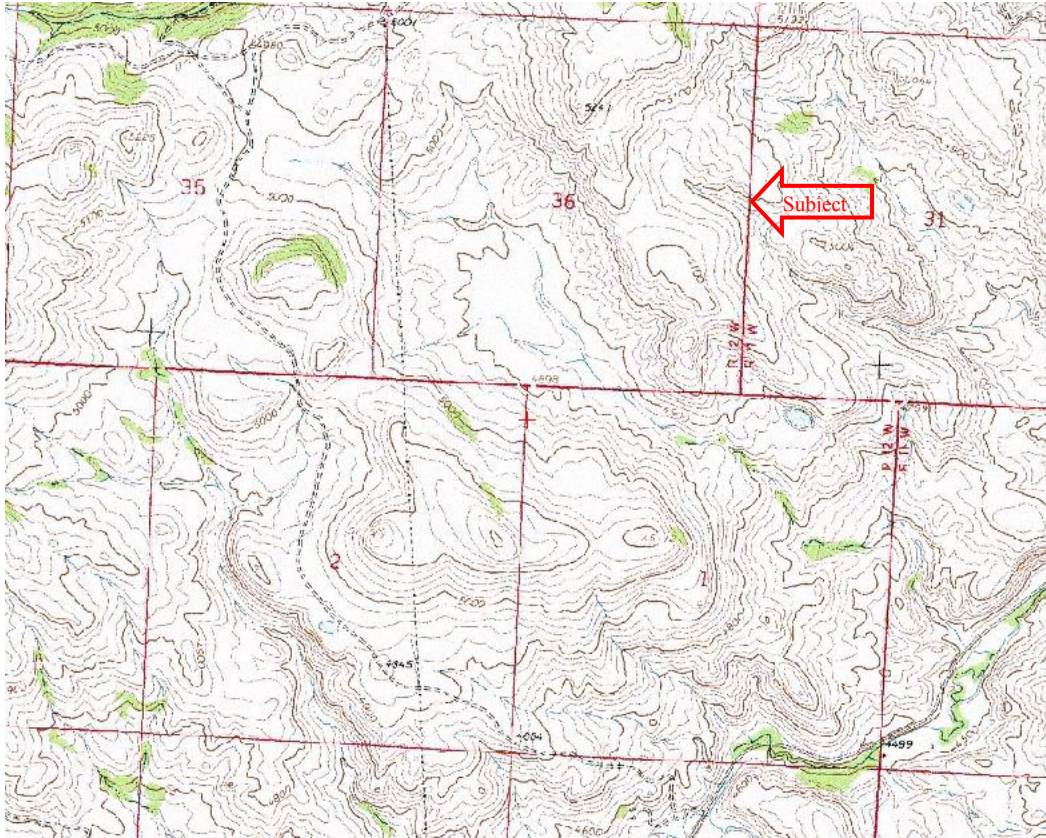
Subject General Location Maps



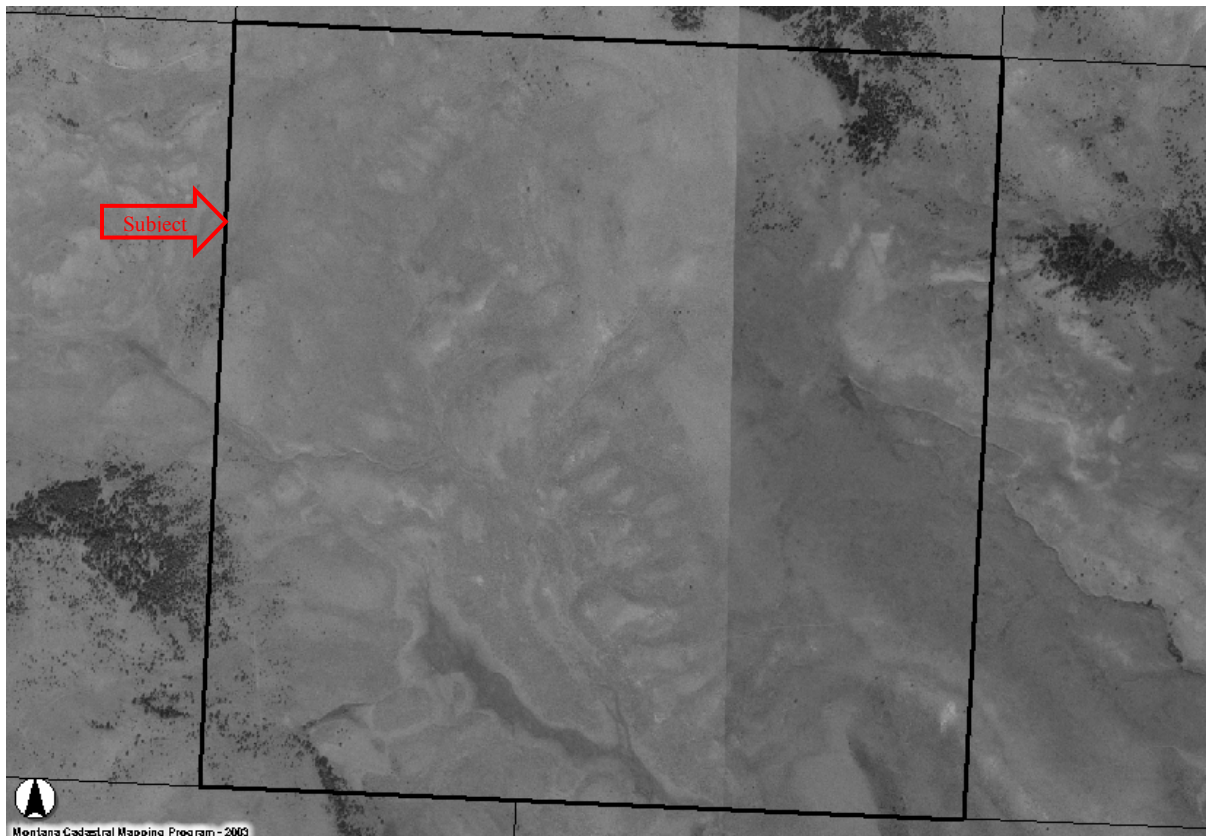
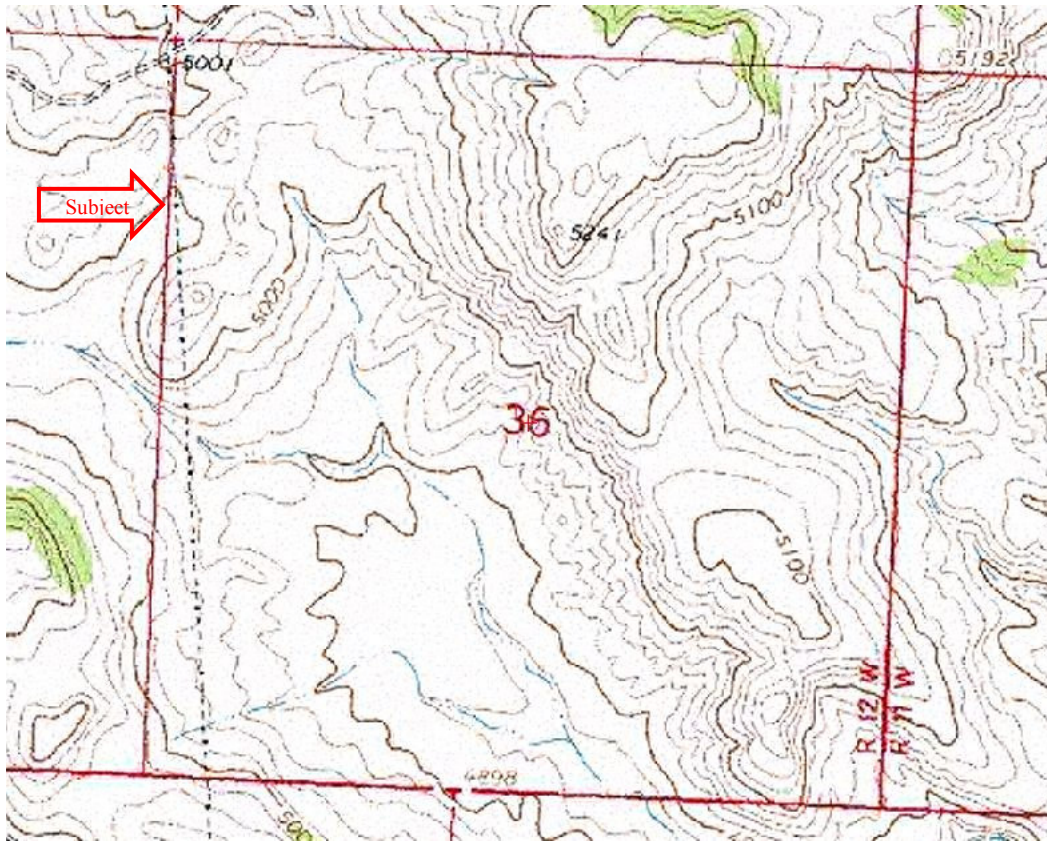
Subject Property Area Map and Aerial Photo



Subject Property Area Topo Map and Aerial Photo



Subject Property Topo Map and Aerial Photo



Subject Property Photos



Looking Northerly From Southwest Corner



Looking Southerly From Northwest Corner

Subject Property Photos



Looking Easterly From Northwest Corner



Looking Southerly From North Area

ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as set forth in the report.

1. The appraiser will not be responsible for matters of a legal nature affecting either the property being appraised or the title to it. Except for information that was provided or uncovered during the research involved in performing the appraisal and ordinarily employed by real estate appraisers, no opinion is intended to be expressed for legal matters or that would require specialized knowledge or investigation. The appraiser assumes that the title is good and marketable, ("free and clear"), and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership and/or competent management. Unless otherwise mentioned in this report, the property is appraised as if owned in fee simple title without encumbrances.
2. The appraiser assumes that the legal descriptions furnished are correct and the appraiser has not surveyed the property. Acreage of land types and measurements of improvements are based on physical inspection of the property or information provided unless otherwise noted in the report. Sketches or drawings in this report are included to assist the reader in visualizing the property. They are not to be considered a legal survey or engineer's plan of any kind. Any and all other sketches, drawings, maps, etc., are also provided for informational purposes only and are not for any legal reference. Access has been investigated only to the satisfaction of the appraiser. No assurance of legal access, or lack of, is expressed or implied as a legal opinion. The same is true of encroachment and trespass issues.
3. The appraiser has noted in the appraisal report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous wastes, toxic substances, floodplains, etc), observed during the routine inspection of the subject property, and/or adjacent properties, or that was discovered during the normal research involved in performing the appraisal. Unless otherwise stated in this report, the appraiser has no knowledge of any hidden or unapparent conditions of the property, and/or adjacent properties, or adverse environmental conditions, (including, but not limited to, the presence of hazardous wastes, toxic substances, etc), that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the appraisal report must not be considered as an environmental assessment of the property. Concerns about soil conditions, actual condition of improvements or systems, or property conformity to zoning, building, fire, ADA, and other such applicable laws, regulations, rules and codes, should all be referred to the proper experts.

4. The appraiser is not an expert in minerals, mineral rights, timber, timber volumes, crops, farm programs or water requirements and rights. Unless otherwise noted, only surface rights will be appraised with no value specifically allotted to the mineral rights or deposits. Timber values, if considered a part of the report, will rely on proper experts, as will farm programs. Typically, growing crops are not considered in the appraisal report. Usually it is assumed the water rights have been secured or perfected, with their value generally considered an inherent part of the land value, with any deviation from this to be included in the report. Rental and lease agreements, conservation plans, options and other situations may also require reliance on proper experts.
5. The appraiser has obtained information, opinions, estimates, surveys, plans, maps and information on regulations, restrictions and studies, etc., from various sources including the property owner, agent, or manager, as well as from real estate professionals, government agencies, appraisers and other sources. Unless otherwise noted, the sources are considered reliable and the information is complete and correct. However, the appraiser does not assume responsibility for the accuracy of such items that were furnished by other parties.
6. The appraiser assumes no responsibility or liability for future conditions, about which information was not supplied or readily available or was not public knowledge at the time the appraisal is made, nor for the effect of events, which might concern the value of the subject property subsequent to date of appraisal. Montana is a non-disclosure state and as such sales prices of real estate are not publicly recorded. Therefore, with few consolidated sources of sales information existing, and no obligation to release or verify information by many of the parties associated with the transactions, this appraiser may not know of sales of comparable properties, and absolute verification of comparable sales may not be possible.
7. If the Departure Rule is invoked, then it will be noted in the report. All extraordinary assumptions and hypothetical conditions, including, but not limited to, satisfactory completion and repairs or alterations, will be noted in the appraisal report. It is assumed there will be consistency with all the plans, estimates, specifications, planned work, projections, or requirements, initially provided. Deviation from those items may affect the value reported. Great effort has been taken to eliminate all error in identifying, developing and processing the report. However, if errors or omissions are found, they will have to be reviewed to see if they will affect the opinion of value reported.
8. The appraiser will not disclose the contents of this appraisal report except as provided for in the Uniform Standards of Professional Appraisal Practice, and/or applicable federal, state, or local laws, rules or regulations. The appraiser is not obligated to/by any unauthorized use of this report by third parties or the “extraction” of only parts of the report and attempting to apply those parts in any other process or to reach a conclusion.
9. It is assumed that there has not been any significant change, physical or otherwise, to the subject property between the inspection date and date the report is signed.

APPRAISER'S CERTIFICATION: This appraiser certifies and agrees that:

1. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in the appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
2. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or develop or present any analysis, opinions or conclusions supporting) a predetermined specific value, a predetermined minimum or maximum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific event or action, or the subsequent event directly related to the use of this appraisal report.
3. I have taken into consideration the factors that have an impact on value in the development of my opinion of market value for the subject property. I have noted in the appraisal report any adverse conditions, (such as, but not limited to, needed repairs, depreciation, the presence of hazardous materials, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing the appraisal. I have considered these adverse conditions in my analysis of the property value to the extent that I had market evidence to support them, and have commented about the effect of the conditions on the marketability of the subject property.
4. I have not knowingly withheld any significant information from the appraisal report that would have an impact on value and I believe, to the best of my knowledge, that all statements and information in the appraisal report are true and correct. I have stated in this appraisal report only my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the limiting conditions specified in this appraisal report.
5. To the best of my knowledge, I have preformed this appraisal in conformity with the Uniform Standards of Professional Appraisal Practice. I have personally analyzed and prepared all the conclusions and opinions about the real estate that are set forth in this appraisal report. If I have relied on significant real property appraisal assistance from any individual(s) in the performance of the appraisal or preparation of the appraisal report, I have named such individual(s) and disclosed the specific tasks preformed in the appraisal report. I certify that any individual(s) so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in the appraisal report; therefore, any change made to the appraisal is unauthorized and I take no responsibility for it.

Thomas J. Konency, Montana DNRC TLMD Appraiser

Dated: December 14, 2005